

# **AGENDA**

Special Cumberland Town Council Meeting

Town Council Chambers

**THURSDAY, February 21, 2013**

**7:00 p.m. Call to Order**

- I.     CALL TO ORDER**
- II.    APPROVAL OF MINUTES**
- III.   MANAGER'S REPORT**
- IV.    PUBLIC DISCUSSION**
- V.     LEGISLATION AND POLICY**

**13 – 023**   To hear a report from the Town Manager re: Gas Main Proposals and to act on a proposed resolution.

- VI.    NEW BUSINESS**
- VII.   ADJOURNMENT**

<b>Cumberland</b>	<b>Falmouth</b>	<b>Yarmouth</b>
Bill Shane	Nathan Poore	Nat Tupper

## NATURAL GAS DISTRIBUTION PIPELINE & UTILITY SERVICE

### Presentation of Proposals

Thursday, February 21, 2013

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### WHAT IS NATURAL GAS?

- Organic material (decayed matter from plants and animals) buried under rock
- Pressure and heat change organic material to fuel sources like coal, petroleum and natural gas
- The main ingredient in natural gas is methane – byproducts are butane and propane
- Because natural gas is colorless, odorless and tasteless, a chemical is added before distribution to give it a sulfur-like smell so that it may be detected in the atmosphere

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### WHERE DOES IT COME FROM?

- Most of the natural gas consumed in the U.S. is produced here
- In 2011, 90% of imports came by pipeline from Canada and 10% LNG tankers
- 1.5 million miles of mainline and service lines throughout the U.S.
- Delivered more than 24 trillion cubic feet of natural gas in 2010 to 71 million customers

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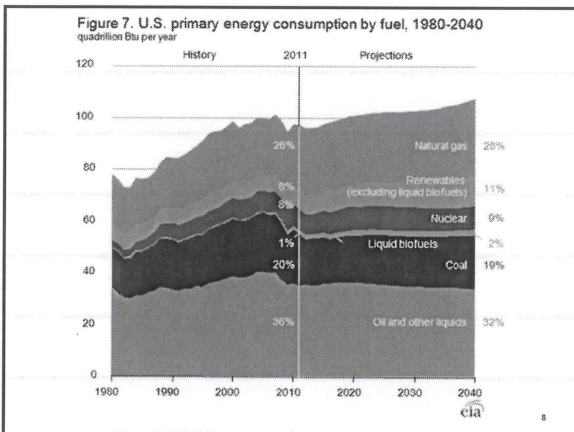
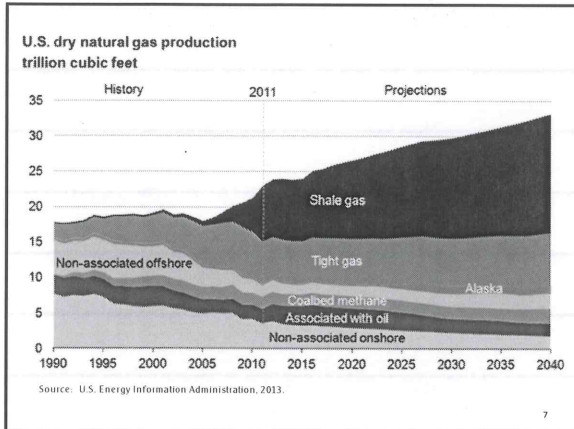
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## OTHER METHODS

- "Unconventional" sources of natural gas – coalbed, "tight" gas, and shale gas
- Horizontal drilling and hydraulic fracturing are used to produce natural gas from Shale "plays"
- Over the past decade, these processes have produced large volumes of shale gas that were previously uneconomical to access
- As of September 2012, U.S. shale gas production contributed about 35% of total U.S. dry production
- Almost all projected increase in domestic natural gas production is due to growth in shale gas

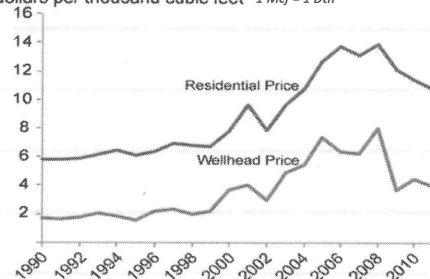
## COST OF NATURAL GAS

- The price that residential consumers pay for natural gas has two main parts – the commodity cost and the distribution cost
- Commodity is the cost of the natural gas itself (wellhead cost – standard rate)
- Distribution is the cost to move natural gas by pipeline from local gas company to the customer (varies by gas company)

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## U.S. Natural Gas Wellhead and Residential Prices

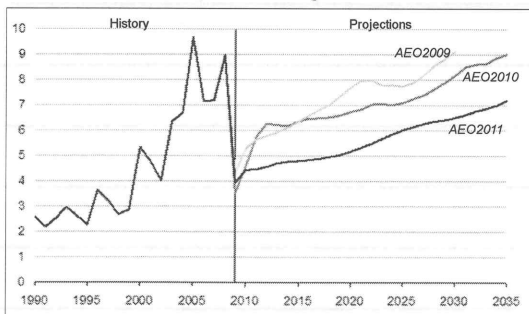
dollars per thousand cubic feet 1 Mcf = 1 Dth



Source: U.S. Energy Information Administration, June 2012.

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Natural gas price projections are significantly lower than past years due to an expanded shale gas resource base



Source: U.S. Energy Information Administration, Annual Energy Outlook 2011.  
Historical based on Henry Hub spot price – 2009 dollars per mmbtu

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### THREE TOWN RFP

- Sept. 2011 – Managers invite gas companies to meet – Unitil, Maine Natural Gas, Summit
- Dec. 2011 – retained consultants to model financials
- Presented findings to joint meeting of Councils
- October 2012 – RFP issued to three utilities
- January 25, 2013 – proposals received from MNG & Summit
- February 21, 2013 – Managers make recommendation to Councils

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### PROPOSAL EVALUATION CRITERIA

- **33% Previous Experience**
  - Includes corporate structure, service of similar communities, marketing, safety and reliability, customer service, public outreach and related considerations
- **33 % Saturation Plan**
- **33% Pricing Structure**
  - Includes capacity to serve, construction schedule and related considerations

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### PREVIOUS EXPERIENCE

#### Maine Natural Gas

(Pages 5-8)

##### Corporate Structure

- Owned by Iberdrola
- 14 Years
- Office in Brunswick
- Maine management team – VP Gas Operations, VP MNG, Lead Engineer, Gas Operations Supervisor

#### Summit Natural Gas

(Pages 5-8)

##### Corporate Structure

- Owned by JP Morgan IIF
- 15 years
- Office in Augusta – will open local district office
- Maine management team – State Operations Manager, Bus. Development Director and Regulatory Manager

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PREVIOUS EXPERIENCE	
Maine Natural Gas (Page 15)	Summit Natural Gas (Page 31-33)
<b>Public Outreach</b> <ul style="list-style-type: none"> <li>Resources to communicate with and recruit customers</li> <li>Work closely with Town officials to offer forums, meetings and newsletters and educational campaigns</li> </ul>	<b>Public Outreach</b> <ul style="list-style-type: none"> <li>Public meetings, door-to-door marketing, distribution of printed materials</li> <li>Member of PAPA &amp; PHMSA</li> <li>Natural gas price projection</li> <li>Local marketing firm</li> </ul>

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PREVIOUS EXPERIENCE	
Maine Natural Gas (Pages 11, 15)	Summit Natural Gas (Page 11-12)
<b>Safety</b> <ul style="list-style-type: none"> <li>Systems comprised of coated steel and MDPE and HDPE pipe</li> <li>Safety/orientation training with emergency personnel</li> </ul>	<b>Safety</b> <ul style="list-style-type: none"> <li>Multiple in-house safety programs and manuals</li> <li>Total recordable incidence rate 1.39 compared to 4.21 industry average</li> <li>Training for local emergency personnel</li> <li>Local Operator Qualification program</li> </ul>

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SATURATION PLAN	
Maine Natural Gas (Page 14)	Summit Natural Gas (Pages 21-22)
<b>64% Saturation</b> <ul style="list-style-type: none"> <li>Within 5 years - assumes 100% of commercial buildings &amp; 80% of residences</li> <li>6,000 Customers</li> </ul>	<b>86 % Saturation</b> <ul style="list-style-type: none"> <li>Within 5 years</li> <li>7,659 customers</li> </ul> <b>95% Saturation</b> <ul style="list-style-type: none"> <li>Within 8 years</li> <li>9,150 customers</li> </ul>

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## TIMELINE

Maine Natural Gas (Pages 11-12, 16)	Summit Natural Gas (Pages 15, 21)
<b>PUC Process</b> <ul style="list-style-type: none"> <li>Currently hold authority to furnish service in this area</li> <li>Require PUC approval for rate structure (6-12 months)</li> </ul>	<b>PUC Process</b> <ul style="list-style-type: none"> <li>Require PUC approval to serve as a second utility in this area (3-4 months)</li> <li>Rate structure already approved by PUC</li> </ul>
<b>Construction Schedule</b> <ul style="list-style-type: none"> <li>Begin construction Q2 2014</li> <li>Continue installation of lateral mains through 2017</li> </ul>	<b>Construction Schedule</b> <ul style="list-style-type: none"> <li>Begin construction Q2 2014</li> <li>Mainline complete &amp; 86% saturation by Q3 2017</li> </ul>

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## PRICING STRUCTURE

Maine Natural Gas (Pages 16)	Summit Natural Gas (Pages 24-26, 29)
<b>Rate Plan</b> <ul style="list-style-type: none"> <li>Requires approval by PUC</li> <li>Guaranteed for five years</li> <li>No annual adjustments proposed</li> <li>Includes customer charge, delivery and construction allowance</li> </ul>	<b>Rate Plan</b> <ul style="list-style-type: none"> <li>Approved by PUC</li> <li>Effective through 12/31/22</li> <li>4% annual adjustment maximum</li> <li>Includes customer charge, delivery and construction allowance</li> </ul>

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## PRICING STRUCTURE

(AS PROPOSED)

Maine Natural Gas (Page 17)	Summit Natural Gas (Pages 25, 29)
<b>Distribution Costs*</b> <ul style="list-style-type: none"> <li>Residential \$13.02/Dth</li> <li>Commercial \$8.69/Dth</li> </ul>	<b>Distribution Costs*</b> <ul style="list-style-type: none"> <li>Residential \$8.50/Dth</li> <li>Sm Commercial \$7.50/Dth</li> <li>Lg Commercial \$5.50/Dth</li> </ul>
<b>Monthly Charge</b> <ul style="list-style-type: none"> <li>Residential \$24.34/month</li> <li>Commercial \$34.77/month</li> </ul>	<b>Monthly Charge</b> <ul style="list-style-type: none"> <li>Residential \$20/month</li> <li>Sm Commercial \$33/month</li> <li>Lg Commercial \$285/month</li> </ul>

\*Costs include monthly charge and 80% TIF

\*Costs do not include monthly charge or TIF

## RESIDENTIAL SAVINGS

Fuel	Cost/ unit	Units/ year	Total Cost
Natural Gas (Summit)	\$16.50/Dth	120Dth	\$1,980
Oil (depending on system efficiency, 870 gallons of heating fuel is equivalent to 120Dth)	\$3.75/gal	870 Gallons	\$3,263
Savings			\$1,283

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## RESIDENTIAL SAVINGS

Fuel	Cost/ unit	Units/ year	Total Cost
Natural Gas (MNG)	\$20.65/Dth	120Dth	\$2,478
Oil (depending on system efficiency, 870 gallons of heating fuel is equivalent to 120Dth)	\$3.75/gal	870 Gallons	\$3,263
Savings			\$785

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## EVALUATION SUMMARY

Criteria	Maine Natural Gas	Summit Natural Gas
Experience (As a utility)	X	
Experience (With similar projects/communities and business plan supporting expansion in Maine)		X
Saturation		X
Pricing		X

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**WHEREAS**, the Towns of Cumberland, Falmouth and Yarmouth have collaboratively studied the issues and economics of encouraging investments in natural gas delivery systems infrastructure to provide the option of natural gas fuel sources to residents and businesses in the three communities; and

**WHEREAS**, the Towns have jointly solicited, received and evaluated two private investment proposals for natural gas delivery systems; and

**WHEREAS**, the Cumberland Town Council concludes that the proposal from Summit Natural Gas of Maine provides the greatest advantages to the Town, its residents and businesses; and

**WHEREAS**, the Cumberland Town Council wishes to encourage the submission of a formal filing with the Maine PUC and the commitment of Summit Natural Gas to initiate construction consistent with the proposals received as soon as practical.

**NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF CUMBERLAND**, that the Town Council hereby endorses the proposal of Summit Natural Gas of Maine as the preferred provider of natural gas service in the Town of Cumberland.

**BE IT FURTHER RESOLVED**, that the Cumberland Town Council hereby requests and authorizes the Cumberland Town Manager to work collaboratively with the Town Managers of the Towns of Falmouth and Yarmouth to secure a memorandum of understanding and/or such other reasonable assurances and agreements that secures the position and advantages of the Summit Natural Gas of Maine proposal to the benefit of the Towns; to file for Intervenor status with the Maine PUC on all filings and proceedings associated with the approval, financing, construction, rates, and operations of the project generally consistent with the proposal as submitted; and to work with the Office of the Public Advocate and others, as necessary and prudent, to enable this project to proceed consistent with the proposal and the public interests.

**DATE ENACTED:** \_\_\_\_\_

**Read and Adopted by** \_\_\_\_\_ **Vote**

**MUNICIPAL OFFICERS:**

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True Copy Attested by Town Clerk

**WHEREAS**, the Towns of Cumberland, Falmouth and Yarmouth have collaboratively studied the issues and economics of encouraging investments in natural gas delivery systems infrastructure to provide the option of natural gas fuel sources to residents and businesses in the three communities; and

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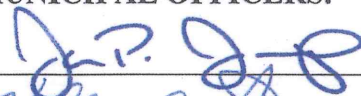
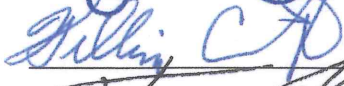
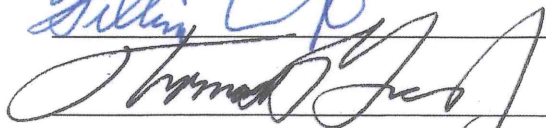
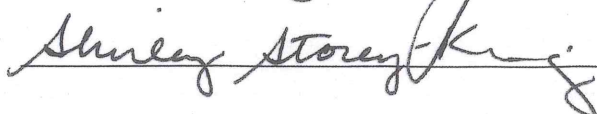
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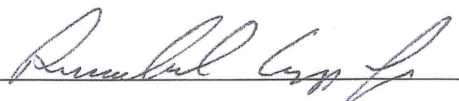
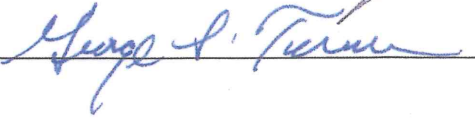
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**DATE ENACTED:** 2/2/2013

**Read and Adopted by** 60 **Vote**

**MUNICIPAL OFFICERS:**

True Copy Attested by Town Clerk



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Thursday, February 21, 2013  
7:00 p.m. Call to Order**

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